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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday March 15, 1977 CG NIDC 77-060C

State Dept. review completed

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National Intelligence Daily Cable for Tuesday March 15, 1977

The NID Cable is for the purpose of informing senior US officials.

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USSR-US: Human Rights

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[] The *Pravda* article on Sunday that indirectly warned that the distrust created by recriminations over the human rights issue could affect Secretary Vance's trip to Moscow later this month was the first such reference in public, although the deputy director of the USA Institute took a similar line in private late last month.

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[] *Pravda* used its authoritative weekly review of world affairs to reject the view, which it ascribed to the US, that criticism of the USSR on human rights does not interfere with the pursuit of detente, including talks on limiting strategic weapons. The *Pravda* commentator, Vladimir Bolshakov, cited the views of unnamed West European leaders, who have allegedly warned that the human rights issue could have an adverse impact on the Belgrade meeting this summer to review progress on implementing the 1975 Helsinki accords.

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[] In addition to Bolshakov's guarded language, there have been other Soviet efforts to link human rights and the strategic arms limitations talks in the past several days. An article in *Izvestia* on Saturday by USA Institute chief Georgy Arbatov warned that the "noisy campaign" by the US could harm the political atmosphere and place additional blocks in the path of ending the arms race.

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[] He also told the US ambassador last week that the "concrete campaign" by the US has created a situation in which Secretary Vance "will need to bring more to Moscow in his bags" than would otherwise have been necessary.

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[] *Red Star* contended that the current "anti-Soviet hysteria" in the US could seriously "poison" the atmosphere surrounding strategic arms limitations talks and that successful talks with the USSR could not be conducted while an unfriendly campaign was under way.

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[] The linking of the human rights issue to bilateral concerns is accompanied by an increase in Soviet criticism of the new US administration. In addition to Bolshakov's article, *Pravda* on the same day accused the President of "encouraging" Israel's territorial claims against the Arab states. The Soviets' press coverage of the President's news conference on March 9 was also more critical than their comments on the President's two meetings with the press in February.

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[] A Soviet public lecturer recently took a particularly negative view of the US administration, which has hitherto been portrayed as seeking progress on bilateral issues, particularly arms control. The lecturer charged that there has been no improvement in the US position on disarmament and accused the President of trying to revise a previous understanding by excluding the cruise missile from current negotiations.

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[] The lecturer added that the human rights campaign in the US, which he described as "slandorous," was supported in "high government circles," citing the President's letter to dissident spokesman Andrey Sakharov and the meeting with Vladimir Bukovsky.

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[] The harsher public line has been supported in recent days by private Soviet intimations that the association between human rights and bilateral issues could mean negative consequences for the latter. A Soviet Foreign Ministry official remarked last Wednesday that, for the sake of detente, public comments on human rights should be ended and "quiet diplomacy" pursued. An official of the USA Institute called the President's meeting with Bukovsky a "particularly bad move."

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[] After a lull of several days, the Soviets have thus returned to the human rights issue with renewed vigor, including some of their most direct and critical commentary on the US administration. The Soviets continue to stress their commitment to detente, however, and have indicated that Secretary Vance's trip is particularly important. The Soviets, nevertheless, are clearly perplexed by the US emphasis on human rights, which they did not anticipate, and want to end mutual recriminations before the high-level talks begin so that the issue does not dominate the exchanges. []

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ZAIRE: Situation Report

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Some military assistance from Belgium and France may soon be forthcoming. The Belgian airlift of over 700 tons of ammunition, small arms, and other supplies reportedly was expected to start late yesterday or today. France apparently is studying a Zairian request for five heavy transport helicopters.

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[] If Zairian forces are unable to throw back the Katangans within a short time, the reverberations will be felt throughout the military and political hierarchy, as well as among already disaffected elements in Shaba and elsewhere. Economic life has virtually come to a standstill in Shaba, the main industrial area of Zaire.

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[] The Zairian President meanwhile has begun a low-key diplomatic effort to explain the Shaba situation to other African countries. His only hope of obtaining diplomatic support is to convince other Africans that the Angolans are fostering a separatist movement in Zaire.

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[] Mobutu has notified the UN of the attack, but he does not yet plan to make a formal complaint either to the UN or the Organization of African Unity.

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[] Kinshasa radio has sharply attacked the "front-line" states, probably because Angola is a key member, charging them with hypocrisy in their policies toward "South Africa and their neighboring countries." Zambia reportedly has held up selling vital fuel supplies to Zaire until Zaire puts up hard cash.

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[] //The presidents of the front-line states met yesterday in Mozambique, and they undoubtedly discussed the Zaire problem. We do not expect the presidents to make concrete proposals to ease the situation.

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CUBA-ETHIOPIA: Castro's Visit

25X1 [] //Cuban President Fidel Castro's arrival in Ethiopia yesterday may be an indication that the Cubans have decided to extend military assistance to the Ethiopians.// 25X1



25X1 [] //The Cubans' recent interest in Ethiopia parallels an increasingly pro-Soviet bent on the part of the beleaguered military regime in Addis Ababa. Although Cuba established diplomatic relations with Ethiopia in July 1975, it did not get around to staffing an embassy until a year later.//

25X1 [] //Castro's visit to Ethiopia follows his three-day official visit to Somalia, a traditional antagonist of the Ethiopians, where Cuba has maintained a limited presence for a number of years. Between 200 and 300 Cuban advisers provide paramilitary training and political indoctrination for the Somali people's militia, and a handful of Cuban civilian technicians staff small sugar cultivation and medical assistance programs.//

25X1 [] //Castro's tour, which began on March 1, has also included visits to Algeria, Libya, and South Yemen. [] 25X1

PAKISTAN: Opposition Campaign

25X1 [] The Pakistani opposition's campaign against Prime Minister Bhutto has the potential to threaten his leadership, but so far it does not appear to have sufficient popular support to mount a significant challenge.

25X1 [] The opposition has charged that Bhutto rigged the national assembly election last week and has demanded that he resign and a new election be held. The US embassy believes that Bhutto's commanding majority in the new assembly was due to electoral fraud but that his party might have emerged with a majority, although smaller, in an honest election.

25X1 [] The opposition so far seems to be testing its strength rather than making a direct effort against Bhutto. It apparently will concentrate for now on the cities, where it is sure of its strength, but it presumably hopes eventually to organize a nationwide mass movement that would include the rural areas where Bhutto won his majority.

25X1 [] In a speech on Saturday, Bhutto appeared to be offering a compromise. Although he said the national assembly election would stand, he implied that the opposition might be able to double its representation by challenging the results before the election commission. Bhutto offered to hold talks with the opposition without pre-conditions and implied that the provincial assembly elections--which the opposition boycotted--could be held a second time.

25X1 [] The opposition refused to meet Bhutto and continued its campaign yesterday with small demonstrations, apparently designed to force the arrest of most opposition leaders.

25X1 [] Although there has been some violence since the election, the opposition so far has sought to avoid major disorders. Should the opposition organize massive demonstrations, clashes would be likely. The opposition would have difficulty bringing Bhutto down without at least threatening serious civil disorder.

25X1 [] Bhutto can count on the support of the security forces only so long as they believe he has the support of a majority of Pakistanis. []

SOUTH AFRICA: Economic Measures

25X1 [] South Africa increased sales taxes and raised rate schedules on the government-owned railroads last week in anticipation of revenue shortages for the next budget. This will

raise the cost of living for everyone, but the heaviest impact will fall on urban blacks. Income taxes, which mostly affect whites, already are considered extremely high.

25X1 [] Minister of Finance Harwood announced that the sales
25X1 tax, which covers nearly all manufactured goods, will range from 8 to 33 percent. Harwood indicated that the new rates were imposed before the full budget presentation, which is expected later this month, to prevent panic buying.

25X1 [] Freight rates will increase by about 22 percent and passenger fares by an average of 16 percent. Railroads are the major freight carriers in South Africa; the rate hike will spur a price increase for almost all goods, including food. Urban blacks in particular will suffer because a large number of them commute by rail.

25X1 [] Several white business leaders and prominent blacks have come out against the actions. Economic criticism has focused on the adverse effects the measures will have on the recovery from the current recession. The English-language press has commented that the increases are likely to contribute to black bitterness. The new measures may be more defensible, however, if the full budget contains provisions to increase government spending in black urban areas. []

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ROMANIA: Earthquake Assistance

25X1 [] The USSR is donating about \$13 million worth of construction equipment and materials to help Romania recover from the devastating March 4 earthquake. The Soviet donation reportedly exceeds Western assistance already delivered or pledged and ends speculation in Bucharest that Moscow would not help out because of Romania's independent foreign policy.

25X1 [] Moscow's major contribution will be a plant capable of producing up to 80,000 square meters of prefabricated concrete building slabs per year. Substantial quantities of lumber, insulation materials, glass, water and gas pipe, and other building materials are also promised, as well as a large number of trucks, buses, tractors, bulldozers, and ambulances.

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[] The items to be contributed by Moscow are consistent with the types of construction equipment and materials specified by Bucharest as necessary for reconstruction. Moreover, the aid focuses on rebuilding housing, which is critically needed. The effectiveness of the aid, however, will depend on its timely delivery.

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[] The sizable amount of Soviet aid contrasts with Moscow's token assistance to Romania during the disastrous floods of 1970 and 1975. On those occasions, China, West Germany, and the US provided substantial relief to Romania.

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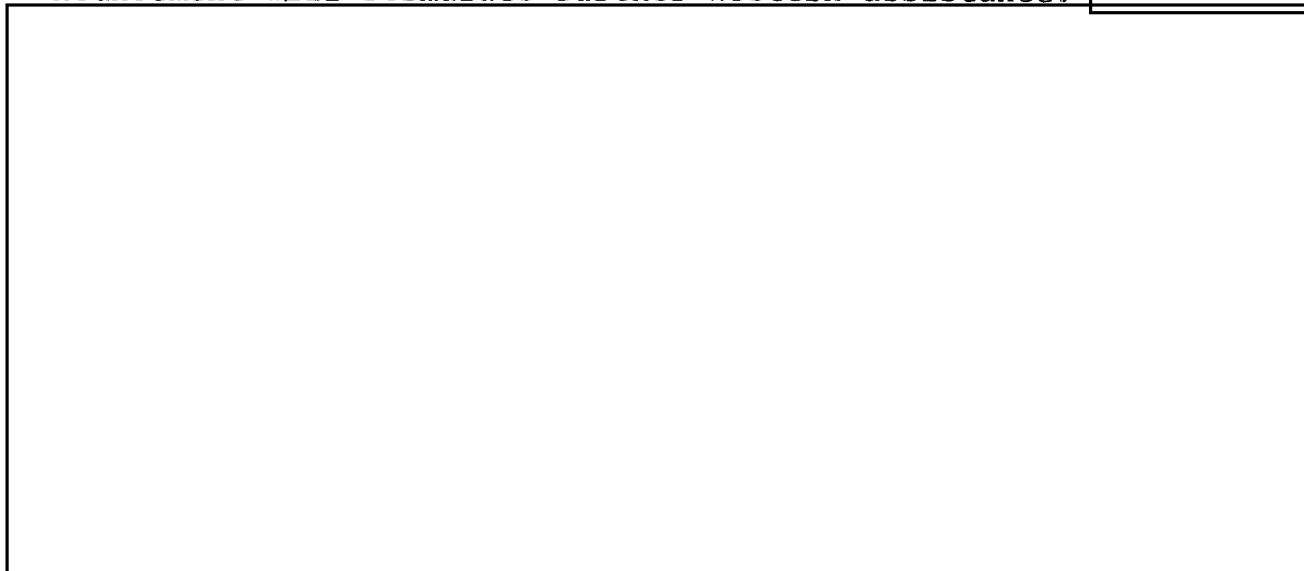
[] The Soviets may feel it prudent to provide more help now because of Romanian President Ceausescu's current "rapprochement" with the USSR. The Romanian leader took an oblique jab at Moscow during a news conference last Thursday, when he implied that the USSR had not yet furnished any economic assistance. He said that, except for Czechoslovakia and East Germany, foreign countries had delivered or pledged only emergency medical relief.

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[] The Romanian media have prominently reported the Soviet grant, and this treatment fits the pattern of improved bilateral relations. Ceausescu may also calculate that the announcement will stimulate further Western assistance. []

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POLAND: World Bank and IMF

25X1 [] //Poland reportedly is considering membership in the World Bank and the International Monetary Fund. The World Bank has long regarded Poland as a prime candidate for membership but has apparently attributed its failure to apply for membership to a combination of Soviet and domestic pressure against highly visible involvement in "capitalist" institutions.//

25X1 [] //Polish exports could benefit from World Bank membership. In the past, Poland has been excluded from participating in projects sponsored by the UN International Development Organization and funded by the World Bank because the bank's rules require that bidders on projects must represent nations that are members of the bank.//

25X1 [] //Electric power generating equipment, sugar beet refining plants, and textile machinery are included among the items that Poland has particular competence in producing and that are in demand in the developing countries.//

25X1 [] Poland must first join the International Monetary Fund to be eligible for membership in the World Bank. Poland's incentive for joining the institutions may in fact be influenced more by the advantages accruing from IMF membership than from World Bank membership, because it would be able to tap the IMF's resources for balance-of-payments assistance.

25X1 [] Warsaw's hard-currency problems have increased dramatically in recent years. Last year, Poland had a record \$3.3-billion trade deficit with the developed West, contributing to a hard-currency indebtedness of \$10.2 billion and a debt-service ratio of almost 50 percent by the end of the year. Membership in the IMF would enhance Poland's flexibility in dealing with its chronic balance-of-payments problems.

25X1 [] Yugoslavia, Romania, Cuba, and Vietnam are the only communist members of the IMF and the World Bank. Cuba's membership predates its communist-government; Vietnam took over the seat formerly held by South Vietnam. Communist countries--particularly the USSR--have spurned IMF membership in the past, largely because of financial disclosure and other IMF requirements.

25X1 [] Opposition from the USSR to Poland's membership remains a distinct possibility. The USSR has considerable leverage, in view of its recent aid commitments to Poland. []

FRANCE: Possible Economic Delay

25X1 [] //France may not implement the major economic stimulus program widely anticipated for later this year, according to a source with good contacts in the government.//

25X1 [] //President Giscard reportedly fears that a stimulus program adopted just before the 1978 parliamentary election would be seen as a purely political move. It has generally been expected that a broad economic expansion program will be implemented later this year to convince voters that the government is dealing effectively with the country's economic problems, especially unemployment.//

25X1 [] //Giscard, whose term runs until 1981, reportedly believes that a low rate of inflation would best serve his long-term political interests. He is afraid that expansionary economic measures at this time would lead to continued budget deficits and upward pressure on prices.//

25X1 [] //The French government reportedly will continue to provide selective financial assistance to hard-hit sectors--measures that probably will not give much of a boost to the French economy.//

25X1 [] //At the same time, the government has been holding interest rates at artificially high levels in anticipation of leftist gains registered earlier this week in municipal elections. Such gains normally would be expected to lead to

capital outflows and exert downward pressure on the franc. By temporarily maintaining elevated interest rates, the government hoped to forestall capital outflows and thus minimize the destabilizing economic effects of election losses.

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PHILIPPINES: Plebiscite Negotiations

Philippine President Marcos may be preparing to postpone the plebiscite set for Thursday on a proposed Muslim autonomous zone in the southern Philippines.

Marcos raised the possibility of such a move in a lengthy television interview late last week. The Philippine leader may think that a postponement could lead Muslim rebel leaders to back down from some of their more extreme demands, such as calling for their own armed forces.

A high-level Philippine delegation, led by the President's wife, is now in Libya in an attempt to break the impasse between Manila and the Libyan-supported Philippine Muslim rebels. Talks under way there intermittently since December had resulted in a cease-fire and an initial agreement, which included an autonomous zone, but Marcos' subsequent call for a plebiscite--which in effect would reduce the size of the proposed region by leaving out several Christian-dominated provinces--brought negotiations to a stalemate.

In his nationwide television interview, Marcos professed optimism about an eventual solution to the Muslim question, but his remarks were generally self-serving and pointedly aimed at placing the blame for any new outbreak of hostilities on the Muslims and their Libyan backers. The President labeled the conflict an "exported war" in which Libyan President Qadhafi called the shots, and Marcos warned the Muslim rebels against any further cease-fire violations.

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CHINA - NORTH KOREA: Trade Agreement

China and North Korea signed a long-term trade agreement on Saturday in Peking. The pact covers trade in "major

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[redacted]

commodities" between the two countries from 1977 to 1981, according to the North Korean news service. It replaces a similar agreement for the period from 1971 to 1976. North Korea imports coking coal, crude oil, and petroleum products from China, and exports iron ore, anthracite coal, and machinery to China.

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[redacted] North Korea's continuing foreign debt problem has increased its dependence on China and the USSR. Both China and the USSR appear anxious to avoid any increased tensions on the Korean peninsula, and both doubtless consider favorable economic ties a useful means of maintaining their influence in Pyongyang.

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[redacted] The North Koreans signed a trade protocol with the Soviets last month, but the USSR apparently was not as generous as the North Koreans would have liked. As in the past, no details of the Chinese - North Korean agreement have been released by either side. [redacted]

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